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RUEHKP/AMCONSUL KARACHI PRIORITY 2818
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RUEHPW/AMCONSUL PESHAWAR PRIORITY 7478
RUEAIIA/CIA WASHINGTON DC PRIORITY
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY
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SUBJECT: PAKISTAN'S PETROLEUM MINISTER ON IMPORTED LNG

REF: 09 ISLAMABAD 2665

11. (SBU) Summary: The GOP has nearly completed a deal to import liquefied natural gas (LNG) supplies and build re-gasification facilities in Port Qasim, according to Minister for Petroleum and Natural Resources Naveed Qamar. Pakistan's Economic Coordination Committee (ECC) is expected to approve 4Gas' re-gasification facility by the end of January, as OPIC support made it financially viable. The ECC will also approve long-term LNG supply contracts and a second re-gasification project. Although the GOP preferred gas supplies from Qatar, it would sign long-term contracts with whatever group could provide supplies at the lowest price. Qamar agreed with Holbrooke that the GOP and USG needed to work together to change public perceptions of the U.S. and GOP by informing the public of their joint efforts in the energy and water sectors. End Summary.

Re-gasification facilities

12. (SBU) In a January 13 meeting with SRAP Holbrooke and Ambassador, Minister for Petroleum and Natural Resources Naveed Qamar said that imported liquefied natural gas (LNG) was an important step in ameliorating Pakistan's natural gas and electric power shortages. Qamar said the viability of imported LNG depended on the landed cost of natural gas being less than that for imported refined fuel oil (RFO), and better still, less than the delivered price of natural gas imported through the proposed Iran-Pakistan pipeline. (Note: according to rough GOP estimates, the delivered price of re-gasified LNG is less than RFO and 10 percent more than the proposed Iran pipeline. End note.) Qamar said the Economic Coordination Committee (ECC) would approve two re-gasification facilities and LNG supply contracts by the end of January. He said the projects would be completed by the end of 2011, with the U.S.-owned company 4Gas supplying 500 m/cfd of gas and a second facility 200 m/cfd (Note: The second company is Vitol-Fauji, though Qamar did not name the project. End note)

13. (SBU) Qamar thanked Holbrooke for support of the Overseas Private Investment Company (OPIC) for the 4Gas (Mashal) re-gasification facility. He explained that the GOP had hesitated to approve the 4Gas project due to "some financial

weakness" in its proposal, but USG support "clinched" its decision to proceed. Qamar urged the U.S. to support additional entrants into the re-gasification market, adding that the Ministry of Petroleum and Natural Resources was seeking U.S. support for a third project with a U.S. equity stake. (Note: The Ministry sent a letter requesting OPIC financing for Associated Group's GasPort project in December 2009. End note.)

14. (SBU) Qamar said that dredging the Port Qasim navigation channel to allow for the transit of large LNG tankers would facilitate the import of LNG. He encouraged the USG and U.S. companies to look into how they could get involved in this \$200 million project.

LNG supplies

15. (SBU) Qamar said that Pakistan would prefer to get LNG supplies from Qatar but would take "the cheapest offer on the table." Qamar said that Shell, which controls sizable Qatari LNG, had offered Pakistan LNG supplies at prices higher than those recently offered to other countries. He noted that fuel suppliers wanted to charge a premium due to concerns over the GOP's ability to ensure payment. Holbrooke asked whether Qamar was concerned about Chinese competition for Qatar's gas supplies, and offered to lobby Qatari PM Hamad bin Jassim al-Thani on Pakistan's behalf. Qamar said this would not be necessary as the "global glut" of LNG put Pakistan in a good negotiating position. He added

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that Pakistan was not negotiating directly with Qatar but with Shell for Qatari supplies.

Load shedding and public perceptions of the GOP

16. (SBU) Qamar noted that the 13.6 percent January 1 power tariff hike came at an inopportune moment, as there was not enough thermal generation in place to reduce both scheduled and unscheduled load shedding. He added, however, that this problem would be solved later in 2010. He said fuel supplies would continue to get tighter, but the LNG program would help improve them.

17. (SBU) Holbrooke said there had been an "understanding deficit" between the GOP and USG that both sides needed to repair. Holbrooke noted that the U.S. was moving quickly to deliver on the Secretary's Signature Energy Program, and that he would sign the implementing agreement for a \$16.5 million project to upgrade Tarbela dam's power house later in the day. He requested that Qamar let the Pakistani public know that the U.S. is working with the GOP to improve the water and power sectors. Qamar said that the GOP, along with the United States, suffered from negative media coverage and agreed that the two countries should work together to change public perceptions.

18. (U) This cable was cleared by SRAP staff.
PATTERSON